



INDIANA NONPROFITS

Scope and Community Dimensions

Nonprofit Survey Series

Report #6

INDIANA NONPROFITS: A PROFILE OF MEMBERSHIP ORGANIZATIONS

A JOINT PRODUCT OF

THE CENTER ON PHILANTHROPY
AT INDIANA UNIVERSITY

AND

THE SCHOOL OF PUBLIC AND ENVIRONMENTAL AFFAIRS
AT INDIANA UNIVERSITY

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A PROFILE OF
MEMBERSHIP
ORGANIZATIONS**

**PROJECT ON
INDIANA NONPROFITS:
SCOPE & COMMUNITY
DIMENSIONS**

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INTRODUCTION

Membership organizations are integral to the social fabric of our society as mechanisms for people to pursue shared interests or address common concerns. Indeed, people active in associations are also more politically and socially engaged in general. However, declining memberships in locally based associations, such as labor unions, fraternal organizations, or parent-teacher associations, suggests to some observers that the nation's stock of social capital – the webs of interpersonal networks permeated by trust and agreed-upon norms – is declining; indeed, that our civic life is endangered.¹

While Robert Putnam and many others have examined who participates in which types of associations to assess the state of the nation's social capital and civic life, there is much less systematic information about these important organizations themselves. This report is an effort to remedy this lacuna.

Most previous nonprofit research has focused mainly on just one type of membership organizations (e.g., congregations or labor unions) or on public charities eligible to receive tax-deductible contributions, only some of which have members (such as scouting organizations, historical societies, or the YMCA). However, many important types of membership associations are not public charities and serve primarily the interests of their members – e.g., fraternal organizations, industry associations, recreational groups or hobby clubs. This report examines membership organizations of all types.

Because of our broad focus, however, we have necessarily had to group the organizations into broader categories in order to identify both common features and important differences. To do so, we carefully examined the names, major programmatic activities, and service missions of survey respondents.² We also consulted our advisory board (listed above) and considered detailed response patterns. Our report profiles six major types of membership organizations, with particular attention to changes they have encountered, interactions with other organiza-

tions, human resources, and management challenges. Although we present some data by **membership status** – comparing nonprofits with members to those without – we focus primarily on differences among the **six major types of membership organization**. We also consider whether there are notable differences among **subgroups of each major type of membership organization**. As appropriate, each of these key dimensions is discussed in more detail in the body of the report.

Indiana Nonprofits: A Profile of Membership Organizations is the sixth in a series of reports³ based on a major survey of Indiana charities, congregations, advocacy and mutual benefit nonprofits undertaken as part of the **Indiana Nonprofits: Scope and Community Dimensions** project currently underway at Indiana University. Previous reports have outlined management challenges and capacities of Indianapolis nonprofits,⁴ presented an overall profile of Indiana nonprofits,⁵ examined the impact of community and policy changes,⁶ and explored financial and human resources⁷ and collaborations and competition.⁸ A final report will examine congregations and other faith-based nonprofits. No other study has examined such a variety of nonprofits or in such detail.

The results presented here are based on a 2002 survey of 2,206 Indiana charities, congregations, advocacy, and mutual benefit nonprofits, representing a response rate of 29 percent. Details of how the sample was developed and the data collected are described in technical reports available upon request. The survey was designed to allow for direct comparison with a study of Illinois nonprofits sponsored by Donors Forum of Chicago.⁹ Our analysis highlights differences that meet statistical criteria of significance (5 percent or less chance that the results occurred by chance).

³ For information on the survey and related reports, please see www.indiana.edu/~nonprof and follow links to “Research Results” and then “Indiana Nonprofit Survey.”

⁴ Kirsten A. Grønberg & Richard Clerkin, *The Indianapolis Nonprofit Sector: Management Capacities and Challenges*. Report #1. February 2003.

⁵ Kirsten A. Grønberg & Linda Allen: *The Indiana Nonprofit Sector: A Profile*. Report #2, January 2004.

⁶ Kirsten A. Grønberg & Curtis Child, *Indiana Nonprofits: Impact of Community and Policy Changes*. Report #3. July 2004.

⁷ Kirsten A. Grønberg & Richard M. Clerkin, *Indiana Nonprofits: Managing Financial and Human Resources*, Report #4. August 2004.

⁸ Kirsten A. Grønberg & Curtis Child, *Indiana Nonprofits: Affiliations, Collaborations, and Competition*. Report #5. November 2004.

⁹ Kirsten A. Grønberg & Curtis Child, *Illinois Nonprofits: A Profile of Charities and Advocacy Organizations* (Chicago, IL: Donors Forum of Chicago, December 2003).

¹ For examples, see Robert Putnam, “Bowling Alone: America's Declining Social Capital,” *Journal of Democracy* 6(1):65-78. 1995; Verba, Sidney, Schlozman, Kay Lehman, & Brady, Henry E. 1995. *Voice and Equality: Civic Voluntarism in American Politics*. Cambridge, MA: Harvard University Press.

² Technical reports on the steps we took to classify types of membership organizations are available upon request.

EXECUTIVE SUMMARY

1. **Profile of Membership Organizations:** We distinguish between six types of membership organizations and examine how they differ in service targets, size, age, funding profiles, dues structures, and legal status.

- Three-fourths of Indiana nonprofits are membership organizations, which we group into six types: religious congregations (29 percent), civic associations (18 percent), mutual benefits (14 percent), occupation/industry groups (9 percent), recreation groups (8 percent), and other member groups (all remaining organizations with members, 22 percent).
- The majority (76 percent) of membership organizations serve both their own members and the general public while one-fifth (19 percent) serve their own members only.
- Membership organizations target their services primarily by geographic location (48 percent) and age (47 percent). Religious congregations stand out as more likely to target services by age (71 percent), gender (48 percent) and religious faith (56 percent). They are also more likely to target multiple groups.
- In general, membership organizations are smaller and older than organizations without members although there is great variation among major types. Mutual benefits are the oldest, particularly fraternal beneficiary societies. Religious congregations are the largest in size followed by other member and occupation/industry groups.
- The majority (60 percent) of membership organizations rely on dues to some extent, particularly occupation/industry groups, recreation groups, and civic associations.

2. **Changes Affecting Membership Organizations:** We looked at perceptions of changes in demand for services, number of members, community conditions and government policies.

- The majority (53 percent) of membership organizations report changes in their membership rolls with 26 percent noting increases and 27 percent decreases. Mutual benefit organizations stood out with almost half (47 percent) reporting a decrease in the number of members.
 - About half (52 percent) of membership organizations say that demands for services stayed the same while almost two-thirds (63 percent) of organizations without members report that demands increased.
 - The majority (71 percent) of membership organizations report at least one change in community conditions, especially population size or employment opportunities (48 percent each). Almost half (49 percent) report being impacted by the changes.
 - Membership organizations are *less likely* to report government policy changes than organizations without members. Two-thirds (66 percent) of membership organizations report that policies did not change, and 78 percent report that they were not impacted by changes. Occupation/industry groups are most likely to perceive changes and impacts. They are also most likely to be involved in advocacy activities.
3. **Interactions with Other Organizations:** We examined the affiliations, collaborations, and competition among membership organizations.
- Membership organizations are *more likely* to have affiliations than organizations without members. The majority (62 percent) of membership organizations are affiliated with other organizations, particularly religious congregations (78 percent) and occupation/industry groups (72 percent).
 - Membership organizations are *just as likely* to engage in formal collaborations or informal networks as nonprofits without members. The majority of membership organizations (57 percent) are involved in collaborations. Other member groups (70 percent), religious congregations (67 percent) and occupation/industry groups (60 per-

cent), are most likely to be involved in collaborations or networks.

- Membership organizations are *less likely* to compete with other entities than organizations without members. Only two-fifths (40 percent) say they compete, with other member groups most likely to report competition (57 percent).

4. **Human Resources:** We looked at the human resources present in membership organizations in the form of paid staff, volunteers, and boards of directors.

- Over half (52 percent) of membership organizations have paid staff. However, this varies greatly among types of membership organizations from 87 percent of religious congregations to only 28 percent of mutual benefits and 18 percent of civic associations.
- Over three-fourths (76 percent) of membership organizations use volunteers. Membership organizations are *more likely* to use volunteers than nonprofits without members and they are more likely to value them highly.
- The majority of membership organizations have boards of directors, but boards are smaller than for nonprofits without members.

5. **Management Challenges and Capacities:** We analyzed the management challenges faced by membership organizations and the tools they utilize in management.

- The majority of membership organizations face challenges in enhancing visibility (78 percent), delivering high quality programs/services (72 percent), performing strategic planning (68 percent) and evaluating programs (62 percent). Enhancing visibility and service delivery are *greater challenges* for membership organizations than for organizations without members.
- Attracting new members (or clients) is a *greater challenge* for membership organizations than for nonprofits without members. The majority (87 percent) of membership organizations say it is a

challenge, with 54 percent reporting it is a major challenge.

- Obtaining funding is a challenge for two-thirds (66 percent) of membership organizations. It is *less of a challenge* for membership organizations than for organizations without members (81 percent).
- In terms of information technology tools, the majority of membership organizations have computer access for key staff/volunteers (63 percent), computerized client/member records (60 percent), computerized financial records (58 percent), and internet access (51 percent). Membership organizations are *less likely* than organizations without members to have internet access or an organizational e-mail address.
- Three-fourths (75 percent) of membership organizations have an annual report and 60 percent have a recently completed financial audit. Membership organizations are *more likely* to have reserves dedicated to maintenance (46 percent) and capital improvement (37 percent) than organizations without members (36 percent and 27 percent respectively).

KEY FINDINGS

Four key findings stand out from our analysis of Indiana's membership organizations:

1. ***There are notable differences among the six major types of membership organizations:*** The six types of membership organizations – religious congregations, civic associations, mutual benefit organizations, recreation groups, occupation/industry groups, and all other member groups – differ significantly on almost every dimension examined. This suggests that these six groupings do indeed capture important variations among membership organizations.
2. ***The six types of membership organizations group into two broader categories:*** Despite important differences among the six types of membership organizations, they appear to group into two broader categories: (1) religious congregations, other member groups, and occupation/industry groups tend to have somewhat similar responses across most dimensions; (2) mutual benefit groups, civic associations, and recreation groups tend to answer in ways that are more similar to one another than to those in the first category.
3. ***Three types of membership organizations appear to face more threats to survival, but also to lack systemic capacity to overcome them than other membership organizations:*** Mutual benefit groups, civic associations, and to a lesser extent recreation groups have seen declines in membership numbers and stagnation in demands for services. However, they are also less likely to be aware of changes in community conditions or government policies, to be involved in collaborations or networks, and to consider themselves in competition with other groups. They have smaller boards, fewer paid staff and rely less on volunteers. Despite this evidence of decline and isolation, they are less likely to report facing management challenges. At the same time, they are also less likely to have important management tools in place.
4. ***We find notable differences among sub-groups of the six major types of membership organizations for some dimensions:*** Despite these overarching patterns, there are notable sub-group differences within most of the six major types of membership

organizations. We highlight these differences in more detail in the conclusions to each of the sections below.